

REESE UNITY DISTRICT LIBRARY
Reese, Michigan

FINANCIAL REPORT
December 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <u>Reese Unity District Library</u>	County <u>Tuscola</u>
Audit Date <u>12-31-05</u>	Opinion Date <u>2-14-06</u>	Date Accountant Report Submitted to State: <u>2-12-06</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <u>Anderson, Tuckey, Bernhardt & Doran, P.C.</u>			
Street Address <u>715 E. Frank St.</u>	City <u>Caro</u>	State <u>MI</u>	ZIP <u>48723</u>
Accountant Signature <u>Gary M. Anderson CPA</u>			

REESE UNITY DISTRICT LIBRARY

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

February 14, 2006

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Reese Unity District Library
Reese, Michigan 48757

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Reese Unity District Library, Reese, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statement required by accounting principals generally accepted in the United States of America. These financial statements are the responsibility of the Reese Unity District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Reese Unity District Library's governmental activities are not reasonably determined.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Reese Unity District Library as of December 31, 2005, or changes in its financial position or cash flows where applicable, for the year then ended.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements of Reese Unity District Library, Reese, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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General Purpose Financial Statements

REESE UNITY DISTRICT LIBRARY
COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2005

	<u>GOVERNMENTAL FUND TYPE</u>		<u>ACCOUNT GROUP</u>	<u>TOTALS</u> <u>(MEMORANDUM ONLY)</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE FUND</u>	<u>GENERAL FIXED ASSETS</u>	<u>REPORTING ENTITY</u> <u>2005</u>
<u>ASSETS</u>				
Cash	\$ 19,507	\$ 304		\$ 19,811
Building	-		\$ 161,744	161,744
Equipment	-		25,517	25,517
TOTAL ASSETS	<u>\$ 19,507</u>	<u>\$ 304</u>	<u>\$ 187,261</u>	<u>\$ 207,072</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Note payable	\$ 30,000			\$ 30,000
TOTAL LIABILITIES	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Fund Equity:				
Fund balance - unreserved	(10,493)			\$ (10,493)
Fund balance - reserved		\$ 304		304
Investment in general fixed assets			\$ 187,261	187,261
TOTAL FUND EQUITY	<u>(10,493)</u>	<u>304</u>	<u>187,261</u>	<u>177,072</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 19,507</u>	<u>\$ 304</u>	<u>\$ 187,261</u>	<u>\$ 207,072</u>

See accompanying notes to financial statements.

REESE UNITY DISTRICT LIBRARY
COMBINED STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:			
Intergovernmental revenue	\$ 21,300	\$ 21,299	\$ (1)
Fines	19,680	28,878	9,198
Miscellaneous	7,415	9,955	2,540
TOTAL REVENUES	48,395	60,132	11,737
EXPENDITURES:			
Salaries and employee benefits	45,000	39,989	5,011
Library materials	10,545	10,057	488
Operational	21,125	21,051	74
Miscellaneous	3,725	4,452	(727)
TOTAL EXPENDITURES	80,395	75,549	4,846
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(32,000)	(15,417)	16,583
OTHER FINANCING SOURCES			
Operating transfers in	-	2,979	2,979
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	2,979	2,979
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	(32,000)	(12,438)	19,562
FUND BALANCE - BEGINNING	1,945	1,945	-
FUND BALANCE - ENDING	\$ (30,055)	\$ (10,493)	\$ 19,562

See accompanying notes to financial statements.

SPECIAL REVENUE FUND			TOTAL (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
			\$ 21,300	\$ 21,299	\$ (1)
			19,680	28,878	9,198
\$ 2,000	\$ 2,016	\$ 16	9,415	11,971	2,556
2,000	2,016	16	50,395	62,148	11,753
		-	45,000	39,989	5,011
		-	10,545	10,057	488
		-	21,125	21,051	74
		-	3,725	4,452	(727)
-	-	-	80,395	75,549	4,846
2,000	2,016	16	(30,000)	(13,401)	16,599
-	(2,979)	(2,979)	-	2,979	2,979
-	(2,979)	(2,979)	-	(2,979)	(2,979)
2,000	(963)	(2,963)	(30,000)	(13,401)	16,599
1,267	1,267	-	3,212	3,212	-
\$ 3,267	\$ 304	\$ (2,963)	\$ (26,788)	\$ (10,189)	\$ 16,599

REESE UNITY DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - DESCRIPTION OF DISTRICT LIBRARY OPERATIONS AND FUND TYPES:

The Reese Unity District Library was established effective February 1, 2005, replacing the Unity District Library. The Reese Unity District Library has new boundaries which are the same as the Reese School District. All assets, liabilities and employees of the Unity District Library were transferred to the new Reese Unity District Library.

The District Library is governed by a board consisting of seven members, two appointed by the Reese Village Council and three appointed by the Denmark Township Board and two appointed by the Reese School Board.

Reporting Entity:

In evaluating how to define the Library, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based upon the application of these criteria, the general purpose financial statements of the Reese Unity District Library contain all the funds and account groups controlled by the District's Board as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Library nor is the Library a component unit of another entity.

Basis of Presentation - Fund Accounting:

The accounts of the Library are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

Governmental Funds:

General Fund - The General Fund is the general operating fund of the District Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - Special Revenue Funds are utilized to account for proceeds of specific revenue sources that are legally or board restricted to expenditures for specified purposes.

Account Groups:

General Fixed Asset Group - This account group presents the balance of fixed assets at historical or estimated cost which are not recorded in proprietary type funds.

"Total - (Memorandum Only)":

The "Memorandum Only" total column represents the aggregate total of the various columnar statements by fund types and account groups. This total column is not comparable to a consolidation and, therefore, does not present consolidated information.

REESE UNITY DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Library considers property taxes as available if they are collected within 60 days after year-end. A one year availability period is used for revenue recognition for all other Library fund revenues susceptible to accrual. Expenditures are recorded when the liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and sales tax and other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Accounting For Capital Expenditures:

General accepted accounting principles applicable to governmental units provides for differing accounting treatment for capital expenditures, dependent upon the category of the funds from which the expenditures is made. In all library funds, including the general fund, capital expenditures are treated in the same manner as other current expenditures in the fund and are then recorded in a "general fixed asset" group of accounts.

Budgets And Budgetary Accounting:

Reese Unity District Library adopts a budget for the General Fund just prior to the beginning of the year. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts as shown in the financial statements are as originally adopted or as amended by the Board of Trustees. All annual appropriations lapse at fiscal year-end. The Library does not utilize encumbrance accounting.

NOTE 3 - CHANGES IN GENERAL FIXED ASSETS:

A summary of changes in the recorded general fixed assets follows:

	BALANCE JANUARY 1, 2005	ADDITIONS	DELETIONS	BALANCE DECEMBER 31, 2005
GENERAL FIXED ASSETS:				
Building	\$161,744	0	0	\$161,744
Equipment	19,893	\$5,624	0	25,517
TOTAL GENERAL FIXED ASSETS	<u>\$181,637</u>	<u>\$5,624</u>	<u>\$0</u>	<u>\$187,261</u>

**REESE UNITY DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS:

Deposits:

At year-end, the bank balances were \$19,811. The carrying amount of the Library's deposits were \$19,811. All of the balance is covered by federal depository insurance. All Library deposits are uncollateralized.

Investments:

The Library does not have any investments as of December 31, 2005.

NOTE 5 - RISK MANAGEMENT:

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above described activities.

NOTE 6 – BUDGETS AND BUDGETARY ACCOUNTING:

The Library adopts a budget for the General Fund and Special Revenue Fund prior to the beginning of the year. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts as shown in the financial statements are as originally adopted or as amended by the Board of Trustees. All annual appropriations lapse at fiscal year-end. The Library does not utilize encumbrance accounting.

NOTE 7 – PENSION PLAN:

The Library does not have a pension plan.

NOTE 8 – AUDIT YEAR:

The audit for the year ended December 31, 2005 covered a one month period (January, 2005) for the Unity District Library and eleven months (February-December 2005) as the Reese Unity District Library.

NOTE 9 – SHORT-TERM LOAN:

In August 2005 the Library borrowed \$30,000 from National City Bank for seven months at 4% interest due February 28, 2006.

NOTE 10 – DEFICIT FUND BALANCE:

The Library ended the year with a deficit fund balance. This is because it had spent money that was borrowed on a short-term loan. In December, 2005 the Library levied property taxes. The property taxes are not recorded as revenue until 2006. The loan money was repaid in full in February, 2006.

Supplemental Information

REESE UNITY DISTRICT LIBRARY
GENERAL FUND
SCHEDULE OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Intergovernmental:			
State aid	\$ 3,300	\$ 3,299	\$ (1)
Appropriations from other governmental units	18,000	18,000	-
Total Intergovernmental	<u>21,300</u>	<u>21,299</u>	<u>(1)</u>
Fines:			
Penal fines	<u>19,680</u>	<u>28,878</u>	<u>9,198</u>
Miscellaneous Revenues:			
Interest & dividend income	15	82	67
Miscellaneous income	<u>7,400</u>	<u>9,873</u>	<u>2,473</u>
Total Miscellaneous	<u>7,415</u>	<u>9,955</u>	<u>2,540</u>
TOTAL REVENUES	<u>\$ 48,395</u>	<u>\$ 60,132</u>	<u>\$ 11,737</u>

See the accompanying notes.

**REESE UNITY DISTRICT LIBRARY
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Salaries & Employee Benefits:			
Salaries	\$ 35,215	\$ 36,074	\$ (859)
Payroll taxes	9,785	3,915	5,870
Total Salaries & Employees Benefits	<u>45,000</u>	<u>39,989</u>	<u>5,011</u>
Library Materials:			
Office supplies	500	526	(26)
Books	7,145	4,468	2,677
Subscriptions	750	524	226
Supplies	500	631	(131)
Memberships, dues, and fees	1,650	3,908	(2,258)
Total Library Materials	<u>10,545</u>	<u>10,057</u>	<u>488</u>
Operational:			
Advertising	400	511	(111)
Insurance	3,385	2,937	448
Utilities and telephone	5,640	5,179	461
Repairs and maintenance	1,500	3,186	(1,686)
Postage	1,200	1,314	(114)
Redistricting/Ballot	5,200	5,367	(167)
Workshops, seminars, and mileage	500	143	357
Technology and system maintenance	2,500	1,639	861
Professional services	800	775	25
Total Operational	<u>21,125</u>	<u>21,051</u>	<u>74</u>
Other Miscellaneous	<u>3,725</u>	<u>4,452</u>	<u>(727)</u>
TOTAL EXPENDITURES	<u>\$ 80,395</u>	<u>\$ 75,549</u>	<u>\$ 4,846</u>

REESE UNITY DISTRICT LIBRARY
COMBINING BALANCE SHEET-
SPECIAL REVENUE FUNDS
December 31, 2005

ASSETS

Cash on hand & in banks

TOTAL ASSETS

ENDOWMENT
FUND

\$ 304

\$ 304

LIABILITIES AND FUND BALANCE

FUND BALANCE

Reserved

TOTAL LIABILITIES AND FUND BALANCE

\$ 304

\$ 304

See the accompanying notes.

REESE UNITY DISTRICT LIBRARY
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
SPECIAL REVENUE FUNDS
December 31, 2005

	ENDOWMENT FUND
REVENUES:	
Interest income	\$ 6
Memorials and donations	<u>2,010</u>
TOTAL REVENUES	<u>2,016</u>
EXPENDITURES:	
TOTAL EXPENDITURES	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,016</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	
Transfers out	<u>(2,979)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(2,979)
EXCESS OF REVENUES & OTHER SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(963)</u>
FUND BALANCE JANUARY 1, 2005	<u>1,267</u>
FUND BALANCE DECEMBER 31, 2005	<u>\$ 304</u>

See the accompanying notes.